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congressional attitude was "the main reason" Mr. Johnson had taken a low-keyed approach at his news conference.

Yesterday, at the LBJ Ranch, Richard Strout, a reporter for the Christian Science Monitor, said to Mr. Johnson: "Mr. President, there is a story in some papers that you were dissuaded from taking a stronger line in Vietnam because of something MIKE MANSFIELD said."

In fact, none of the three stories published Friday had alleged that Mr. Johnson had changed his mind because of Mr. MANSFIELD's statement.

Neither the Times article nor the Evans-Novak column suggested that the President had changed his mind at all, although both indicated that he had had Senate reaction in mind in reaching his decisions. The Chicago Tribune's account attributed his alleged change of mind to warnings by Senate Democratic leaders rather than to the statement Mr. MANSFIELD had read at the White House.

Mr. Johnson replied to Mr. Strout as follows:

"That was the result of a man who broke my confidence—and not only broke it but distorted it.

"I read Senator MANSFIELD's statement very carefully following a backgrounder held by one of the prominent members of another party, and I found nothing to justify that statement. And I would brand it untrue and perhaps malicious.

"Senator MANSFIELD never mentioned Reserves and it was not in any of his discussions, and the discussions did not have anything to do with the Reserves, as his paper will show.

"Most of the people you deal with, and we dealt with several dozen, perhaps a couple hundred, including the Governors, all of them respect the confidence.

"But once in a while an inexperienced man, or a new one, or a bitter partisan, has to play a little politics. I think they keep it to a minimum, generally speaking, but one or two of them will do it. And boys will be boys."

The reference to the "backgrounder" was what led reporters to suggest Mr. FORD as the target of these remarks.

Mr. FORD replied today:

MISUNDERSTANDING SEEN

"Communist leaders all over the world would be happy to see a bitter, name-calling contest develop between President Johnson and congressional leaders at this crucial time. Mr. Johnson's remarks made during his Sunday press conference in Texas, if he was referring to me, are the possible result of a misunderstanding which I trust the White House will correct.

"I refuse to be baited into a verbal donneybrook with the Commander in Chief that would play into the hands of Hanoi, Peiping, and Moscow.

"I support the President's firmness against Communist aggression in Vietnam. Regrettably, the principle opposition to the President's military decisions come from Democrats in the Congress, particularly in the Senate.

"The Nation faces a critical future. The President has the responsibility of making addtional important military deicsions. For the national interest and our security, I urge that we get on with the awesome tasks ahead without further delay and without splitting the Nation's unity."

After making this formal statement, Mr. FORD refused to answer questions on the record. He did authorize the following additional statement:

"Several reporters called me on Wednesday morning following the (Mansfield) statement on Tuesday and said they knew of the Mansfield statement. That was 24 hours before the luncheon. The Mansfield statement was common knowledge."

Mr. Speaker, on the basis of Mr. Wicker's statement of facts it is clear that the President was completely in error in alleging that any Republican congressional leader engaged in deliberate and malicious distortion in reporting events that went on at last week's conference at the White House.

The concern which I feel about the President's outburst is based on several considerations. First, I am distressed whenever the President of the United States indulges in an action unworthy of his office. I was dismayed earlier this year by the President's reaction to criticism directed at him because of his failure to send the Vice President to Winston Churchill's funeral. I was distressed that the President precipitously canceled his invitation to the Prime Ministers of India and Pakistan to visit the United States. And now I am saddened that our President has demeaned himself, in a fit of impetuous pique, by uttering a false accusation against a respected leader of the Congress.

There are also broader grounds for concern arising from this incident. The President's action can only be interpreted as another attempt to stifle reasoned discussion of foreign policy.

Accusations of breach of confidence when there was in fact no such breach, of deliberate and malicious distortion when there was in fact no distortion, are not conducive to the discussion and debate which must go on in the field of foreign policy.

TRADE POLICY QUESTION AND THE NEW ECONOMICS

The SPEAKER pro tempore (Mr. MATSUNAGA). Under previous order of the House, the gentleman from Missouri [Mr. HALL] is recognized for 20 minutes.

(Mr. HALL asked and was given permission to revise and extend his remarks and to include extraneous matter.)

Mr. HALL. Mr. Speaker, we have today voted—over my objection—additional funds to be used around the world, without further reference to the Congress, up to $400 million to be used for the IFC, the IBRD, and other world lending organizations for use of free enterprise business and industries of a secondary motive and intended to build primarily in the various countries.

This would be praiseworthy and commendable if we had not passed the Trade Expansion Act of 1962 and stripped most protection and protective tariffs cut by one-half—also without further reference to the congressional body—from the U.S. workingman and woman plus business and industry in the United States, respectively. This has done more to bring on the variable tariffs, the chicken war, the failure of the Kennedy round at the GATT conferences, the impact of imports, and our loss of foreign exports markets including lead, shoes, cars, glass, watches, and others, than any other single factor.

There must be an end point. The question is, When will we stop subsidizing overseas, low paid, lesser standards of living, and less skilled peoples who are exploding in number vis a vis our own peoples, skills, and standards? Costs equal the sum-total of production, including resources plus assembly line, in addition to delivery, and incidentals such as the ECM, variable tariffs, sovereign nations' laws, hidden agreements, and so forth.

It is for this reason that I would like to refer our colleagues again to the CONGRESSIONAL RECORD of June 16, 1965, and the speeches and colloquy of Messrs. HERLONG and BETTS on this same subject incident to their introduction of similar legislation to correct the Trade Expansion Act of 1962. I am delighted to introduce similar legislation today in support of this and their theses.

Mr. Speaker, a year ago I introduced a bill in association with a large number of other members that called for removal of products from the list of items subject to a 50-percent tariff reduction under the Trade Expansion Act of 1962. At that time the prospects were that the negotiations in Geneva would be completed by mid-1965. That time has come and passed and the negotiations have now been delayed until next year. At least that is the outlook.

I am therefore joining with others to renew last year's bill with some additional features that are urgent if our industries are to have a better outlook in our domestic market than they now have. I am well aware that many official spokesmen of the administration and some prominent economists profess to see no dangers from imports or from anywhere else to our economy. They paint a very bright picture of the years to come; and some of them are convinced that we have embarked on a recessionless course into the indefinite future. They see no clouds on the horizon and believe there are no developments that will not yield to fiscal and monetary manipulations. They have a sublime confidence in the stimulation provided by tax cuts, deficit financing and low interest rates.

If the economy shows signs of stagnation, cut the taxes, increase Government spending or both and reduce interest rates. That is the policy.

Mr. Ackley, Chairman of the Council of Economic Advisers, recently gave a rundown of the new economics before the subcommittee on Fiscal Policy of the Joint Economic Committee.

He is one of the apostles of the new economics and wants to run the economy by a formula. This revolves above a concept called the "full-employment surplus." Let me quote from Mr. Ackley's statement:

> All of us understand, in a general way, how fiscal policy works. Government expenditures add to aggregate demand and tax collections reduce it, by curtailing private purchasing power. But it is not possible to measure the impact of Government expenditure and tax policies merely by looking at actual levels of disbursements or revenues.

I find no fault with that statement. Mr. Ackley provides an example. He says:

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Federal revenues automatically decline (and some Federal outlays—particularly unemployment benefits—automatically increase) when economic activity falls off as a result of a reduction in intensity of private demand.

This, I think, is to be expected because payroll taxes would decline no less than business profits if consumer demand falls off.

So far the Chairman of the Council of Economic Advisers has said nothing either new or revealing or startling.

He remarks with respect to this situation, that is, where economic activity declines:

> The budget outcome has been altered, and the economy's decline has been cushioned (by unemployment compensation) but not because of any affirmative Government action.

The budget, he says, "has reacted passively to changes in the private economy. Discretionary fiscal policy has been absent."

It is here that fiscal policy is to be brought into play, no doubt.

Mr. Ackley then indeed remarks:

> The budget outcome is, of course, also altered by discretionary changes in tax rates or expenditures—

By this, I take it, he means the size of the deficit or surplus; and, once more, this seems clear enough—

> but such changes in turn affect private demand, and changing private demand in its turn affects production and income and therefore Government revenues and outlays.

The formula is getting a little more complex. We get echoes of what the Government does by way of tax reductions or tax increases from the consumers who are affected. They react and their reaction in turn affects business; that is, production and income; and, of course, whatever affects production and income has an effect on Government receipts and expenditures.

Now Mr. Ackley is moving in for the kill. He says:

> The net outcome recorded in the Government's budget accounts (i.e., whether revenues rise or fall off and therefore create a surplus or deficit) in any year is a mixture of the effects of the affirmative fiscal actions taken, of the responses of the private economy to these actions, and of whatever changes in private demand are occurring independently of Government action.

Here Mr. Ackley opens a rather wide door through which "whatever changes in private demand are occurring independently of Government action" can walk without restraint.

The latter, that is, the changes in private demand, might be very considerable and might even outweigh the effects of the governmental action.

However, he says that:

> We can separate out the extent of the discretionary fiscal actions alone, by measuring what would happen to the deficit or surplus at some given level of business activity.

The notion is that the effect of governmental policy can be isolated from other influences by making an assumption; namely, that of 4-percent unemployment. He says:

> We can then assess the net impact of any Federal fiscal program for a given year by seeing what its various elements, taken together, would do to the full-employment surplus—the excess of revenues over expenditures that the fiscal program would yield if unemployment were 4 percent.

According to Mr. Ackley, assuming a 4-percent level of unemployment, an increase of $7 billion in the surplus would occur in 1 year at the present rate of growth in the employment force and increase in productivity. The $7 billion would come with no change in the tax rate, and would represent the "fiscal drag." The effect on the economy would be the same as that produced by a higher tax rate that would take $7 billion out of the economy.

At this point he says:

> A constant set of tax rates and a constant level of Government expenditure exert an increasingly restrictive influence as time passes. In short the budget tightens by standing still in a growing economy—

Meaning increasing labor force, higher output, and so forth.

Mr. Speaker, this is not all, but it gives an idea of the style of thinking that governs our policy of taxation, of deficit spending, interest rates—that is, tight money or easy money; debt management, and so forth.

It is particularly notable that the problem of import competition is not even given the courtesy of mention. Yet it could do much to upset the applecart of the very formula that has drawn so much fascination in governmental economic circles.

I have mentioned the wide door Mr. Ackley left open when he said:

> The net outcome recorded in the Government's budget accounts in any year is a mixture of the effects of the affirmative fiscal actions taken, of the responses of the private economy to these actions, and of whatever changes in private demand are occurring independently of Government action.

Mr. Speaker, what about the effect of imports on those domestic industries that are vulnerable to imports? Will they behave the same as they would if they did not have this problem? Will they expand as they would if they were not confronted with imports that are taking a rising share of the market away from them?

A year ago our beef industry was deeply beset by rising imports. Did these imports represent "changes in private demand" occurring independently of Government action? Or was past governmental action responsible for the imports? Did the general trade policy of the Government lead the Australians, New Zealanders, and others to believe that this country would welcome or at least not resist the complete disruption and distress of our cattle industry? It is quite possible that they came to this conclusion because of the tariff-reduction proposal of the so-called "Trade Expansion Act of 1962," and the statements of policy accompanying its enactment. It seems to me that there are a hundred influences in operation that cannot always be foreseen—in fact, are seldom clearly enough foreseen to beget preventive action. These influences might be regarded either as "occurring independently of Government action" or as indirect but unmistakable outgrowths of such action.

I do not see how a formula can gain reliability as a guide to action if it subject to so many variables, so many influences that are unforeseen or unforeseeable. Right now who will tell us what will be the effect on our economy of our involvement in Vietnam? Who knows whether it will lead to a war, or to an escalation that will run up the budget, and if so, how far? Who knows what would be the effect on the civilian economy, other than that it would no doubt be inflationary—but to what degree?

What is the worth of a formula that has to read almost everything out of the equation in order to be true? The exceptions may be more disruptive and far-reaching in their influence than the inclusions, and they may distort the formula beyond recognition. Government by formula-like "capsule planning" is a hazardous undertaking.

Was it not a wonder that this country rose to world industrial leadership without following a formula? How did we ever get along without knowing what a "full-employment surplus" is?

Mr. Ackley has the foresight to say that:

> The concept has its limitations which keep it from being used as a precise tool of budgetary planning. There is no one, permanent level of full employment surplus toward which we should strive.

Nevertheless he would use the formula as the thermometer, barometer, and anemometer, apparently all at the same time, to measure the needs of the economy. The complications arising from the interactions of the effects produced by changes in taxes, governmental spending, interest rates, and so forth not to mention the outside or nongovernmental influences are so great that the formula takes on the characteristics of a "Rube Goldberg" contraption.

It would be as easy to say and no less uncertain to prove that 2 or 4 million jobs did not come into being in this country because of import competition as to estimate the number of jobs that were not filled because taxes were too high or governmental expenditures were too low—in the judgment of the spenders. Can anyone imagine the sputter of denunciation if figures as definite as those used by Mr. Ackley were put forward as unequivocal facts with respect to indirect unemployment that is attributable to import competition? Such estimates would be called pure conjecture, while their own estimates taken by sliderule are regarded as trustworthy guides.

That business confidence is a vital ingredient of business activity in a private enterprise system no one will deny. What would be much more fatal to confidence within a domestic industry than to see imports coming into the market and extending their penetration in a short period of time, that is, in a few years, from 5 percent of the market to 10 percent, then on to 15 or 20 percent or more, as has happened repeatedly?

What will domestic producers do under such circumstances? Surely they will shy away from expansion in this coun-